Investment in Madhavpura Co-operative Bank

†1352. SHRI RAJ MOHINDER SINGH:
SHRI RAVI SHANKAR PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that 165 banks had invested about Rs. 800 crore in Madhavpura Mercantile Co-operative Bank in order to get higher interest;

(b) if so, the facts in this regard;

(c) whether Government have obtained information regarding above banks which invested the said amount; and

(d) if so, the names thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (d) Reserve Bank of India (RBI) has reported that Madhavpura Mercantile Co-operative Bank Ltd. (MMCB) was having inter-bank deposits in current and fixed deposit accounts from 239 Urban Co-operative Banks (UCBs) and 6 District Central Co-operative Banks (DCCBs) in Gujarat, 16 Co-operative Banks in Maharashtra, 4 commercial banks and 2 Financial Institutions aggregating Rs. 800.55 crore. Interest rates on deposits are deregulated and banks are free to determine the rates with the approval of their Boards of Directors. Therefore, rates of interest at which the fixed deposits were kept have not been maintained by RBI.

Monitoring of Private Banks

1353. DR. PRABHA THAKUR:
SHRIMATI MOHSINA KIDWAI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have any mechanism to strictly monitor the functioning of private banks;

(b) if so, the details thereof;

(c) what are the reasons for the merger of Global Trust Bank with

† Original notice of the question was received in Hindi.

Oriental Bank of Commerce;

(d) whether Government have taken any steps to ensure that other private banks maintain their financial position; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Government does not directly monitor the functioning of private banks, it is Reserve Bank of India which has been empowered under the Banking Regulation Act, 1949, to do this monitoring.

(c) The financial health of GTB was causing concern to Reserve Bank of India (RBI) due to wrong reporting by the bank and false certification by statutory auditors of the bank on key performance indicators for the years 2001-02 & 2002-03. Bank's net worth had fully eroded, both profit and ORAR were negative. Accordingly, after initial moratorium Government has notified a scheme amalgamating Global Trust Bank with Oriental Bank of Commerce on 13th August, 2004. This was done exclusively to protect the interests of depositors of GTB.

(d) and (e) RBI has taken several steps which *inter-alia* include introduction of off-site monitoring system and strengthening of the supervisory framework/Risk Based Supervision for banks, introduction of capital adequacy standards on the lines of the Basal norms, prudential norms on asset classification, income recognition and provisioning.

National Tax Tribunal

1354. SHRI RAMA MUNI REDDY SIRIGIREDDY:
SHRI K. RAMA MOHANA RAO:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are considering to constitute a National Tax Tribunal to resolve the disputes within six months;

(b) if so, the details thereof;

(c) whether it is a fact that many petitions have been filed against this move in various High Courts; and

(d) if so, in what manner Government propose to cross this hurdle and set up National Tax Tribunal at an early date?